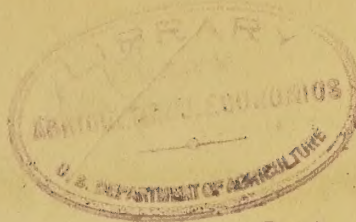


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Sept. 1, 1937.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
NORTHEAST DIVISION

INFORMATION RELATING TO A.A.A. PROGRAMS IN THE NORTHEAST

Topics of Particular Interest to Committeemen in the Northeast Region

1. Why was the Federal Government asked to aid farmers in 1933?

"Achieving A Balanced Agriculture," especially pages 10 to 22, gives a fairly complete answer. The entire leaflet is worth reading as an outline of recent farm problems and ways of meeting them. Since it was prepared in 1934, the leaflet contains some material on the actual operation of production adjustment which no longer applies, but, aside from that, the information is as timely now as when it was first published.

2. Why were specific adjustment programs offered corn-hog, wheat, cotton, and tobacco producers in 1933?

Information useful in answering this question can be found on pages 26 to 30 of "Achieving A Balanced Agriculture." Page 6 of "Agricultural Adjustment" (the report of the Agricultural Adjustment Administration from May, 1933 to February, 1934) names the seven basic commodities provided for in the original act, and briefly tells why they were the ones chosen. No adjustment program for milk and its products was put in effect, chiefly because of the complicated nature of the milk business. Members of the industry never were able to agree on any workable adjustment program. The national government has cooperated with the dairy industry, however, in developing marketing agreements and removing surpluses of butter, cheese, dry skim milk and evaporated milk.

3. What were the purchasing power and farm income of important crops in 1936 as compared with 1932?

In order to measure farm purchasing power it is necessary to take into account both the changes in farm income and changes in the level of prices of commodities which farmers buy. For example, total cash income from farm marketings increased from \$4,328,000,000 in 1932 to \$7,578,000,000 in 1936, or an increase of 75.1 percent. At the same time prices paid by farmers (plus interest and taxes) increased from an index of 120 (1910-14 = 100) in 1932 to 129 in 1936. Therefore, while the total farm income increased by 75.1 percent farm purchasing power increased only 62.9 percent. The changes in income and purchasing power by groups of farm commodities are shown in the following table:

CASH INCOME FROM FARM MARKETINGS, AND PURCHASING POWER

	1932		1936		Percent
	Cash Income	Purchasing Power ^{1/}	Cash Income	Purchasing Power ^{1/}	Increase in Purchasing Power 1932-36
	Million dollars	Million dollars	Million dollars	Million dollars	
Grains.....	371	309.1	808	626.3	102.6
Fruits and Vegetables.....	646	538.3	1022	792.2	47.2
Cotton and Cottonseed.....	473	394.2	820	635.6	61.2
All Crops.....	1880	1566.6	3312	2567.4	63.9
Meat Animals.....	968	806.6	2096	1624.8	101.4
Dairy Products.....	991	825.8	1417	1098.4	33.0
Poultry and eggs.....	426	355.0	617	478.3	34.7
All livestock and livestock prod.	2448	2040.0	4266	3306.9	62.1
Total Crops and livestock.....	4328	3606.6	7578	5874.4	62.9

^{1/} Deflated by index of prices paid by farmers, interest and taxes combined, 1932 - 120; 1936 - 129.

How did 1932 purchasing power and farm income of the same crops compare with 1925?

The following table shows how farm income and purchasing declined between 1925 and 1932. It is interesting to notice that just as the figures for dairy products showed the least improvement from 1932 to 1936, they showed the least decline from 1925 to 1932.

CASH INCOME FROM FARM MARKETINGS, AND PURCHASING POWER

	1925		1932		Percent
	Cash Income	Purchasing Power	Cash Income	Purchasing Power	Decrease in Purchasing Power 1925-32
	Million dollars	Million dollars	Million dollars	Million dollars	
Grains	1589	934.7	371	309.1	66.9
Fruits and Vegetables.....	1270	747.1	646	538.3	27.9
Cotton and Cottonseed.....	1775	1044.1	473	394.2	62.2
All Crops.....	5416	3185.9	1880	1566.6	50.8
Meat Animals.....	2455	1444.1	968	806.6	44.1
Dairy Products.....	1557	915.9	991	825.8	9.8
Poultry and Eggs.....	753	442.9	426	355.0	19.8
All Livestock.....	4908	2887.1	2448	2040.0	29.3
Total Crops & Livestock.....	10324	6072.9	4328	3606.6	40.6

4. Why was the price of corn abnormally high in 1936?

Drought cut 1936 corn production to 65 percent of the 1928-32 average, resulting in a crop as short as the one following the 1934 drought. Corn production in 1936 was about one and a half billion bushels, which was one billion bushels under the 1928-32 average and, except for 1934, half a billion bushels under any yield since the drought of 1901. The unusual scarcity has resulted in high prices, especially since production of other feed grains also was far below normal.

In an excerpt from "The Agricultural Situation", January, 1937, an article called "The Effects of the Drought on Farm Management" gives some useful information on the drought and on prices of corn and other feed grains. In general the effects of the 1936 drought were similar to those of the drought in 1934. A leaflet called "The Drought and Current Farm Imports" is an interesting study of what happened in 1934, and therefore is helpful in explaining present conditions which have followed the 1936 drought.

A table on page 4 of that leaflet shows the relatively small effect of the adjustment programs, compared with the drought, on the supply situation in 1934 and 1935. The AAA conservation program for 1936 had an even smaller effect on the amount of corn and other feed grain produced. The program provided for some diversion from the general soil-depleting base, but did not provide acreage adjustment specifically for corn, or for any other feed grain. As a matter of fact, the planted corn acreage in 1936 was over 100,000,000 acres, or 2 million acres larger than the planted acreage of the year before. In that year, 1935, corn production totaled more than two and a quarter billion bushels, almost up to the average for the years 1928 to 1932.

5. Could the tariff on corn be reduced or removed immediately, and if it could, what would the effect be?

Temporary reduction or removal of the tariff on corn has been proposed by some farmers who purchase their feed grains, especially poultrymen. Representatives of the Agricultural Adjustment Administration have investigated the possible methods that have been suggested for bringing about temporary reduction or removal of this tariff. One method suggested was action by the President who is authorized by the tariff Act of 1930 to permit entry of foods free of duty for emergency relief work. Authorities on the tariff law stated, however, that the President could not use this provision in connection with the corn situation because the situation involves price rather than individual suffering. Another method suggested was reduction or removal of the tariff by action of Congress. This method is impractical for a temporary period. Congressional action on tariff requires considerable time because tariff legislation involves very complicated questions of trade relations with other countries, general tariff policies, and effects on various groups within the United States. Evidence of the temporary nature of the corn price situation is indicated by the July report of the U. S. Bureau of Agricultural Economics indicating prospects for the biggest corn crop since 1932, almost a billion bushels more than the 1936 crop.

6. What has been the extent of industrial recovery since 1932, and how much has it been affected by farm recovery?

An excerpt from "The Agricultural Situation" for June, 1937, contains compact information that measures the extent of industrial recovery in several different ways. A more detailed study of the way that increased farm purchasing power has helped industrial recovery is given in the leaflet "Farm Buying and Industrial Recovery" which covers the period from July 1, 1932, to June 30, 1935.

7. What changes in trade have occurred since the inauguration of the reciprocal trade agreements with Cuba, Canada, the Netherlands, and other countries?

Two mimeographed articles (Progress of the Trade Agreements Program, and one listing the local effects of the agreements) describe the agreements now in effect and the way they are working.

8. What marketing agreements have directly affected northeastern agriculture? What changes in price and farm income for each commodity affected have occurred during the period the agreement was in operation?

Marketing agreement programs now in effect are a milk order for Fall River, Mass.; a milk order for the greater Boston, Massachusetts area; a milk license for New Bedford, Mass.; and a marketing agreement and license for Connecticut Valley Shade Grown Tobacco. A preliminary report on milk prices with and without the milk marketing program for the Boston area indicates an increase of \$9,400,000 in returns to approximately 18,000 New England dairymen during 853 successive days of operation of this program. In the cases of both milk and tobacco, so many factors, especially the buying power of consumers, are involved that the effects of marketing programs on price are hard to measure. Prices of shade grown tobacco have shown substantial improvement during the time the agreement has been in effect. In 1933, the average price was 64 cents a pound. In 1934, the first year of the agreement, the price was about 80 cents. The 1935 price was 85 cents.

9. What northeastern agricultural commodities have been directly affected by surplus removal operations? When were these operations carried on and what changes in price and income to the farmer occurred during or immediately following such operations?

The article on "Surplus Removal Operations of the AAA", taken from the March, 1937 issue of "The Agricultural Situation" gives a brief summary of the purpose of surplus removal operations. A mimeographed report on "Purchases of Surplus Commodities in the Northeast" lists amounts of various commodities bought from August 1, 1933, to June 1, 1937. In general, the effect of the buying programs has been to strengthen prices to farmers, either by supporting the market when surpluses send prices very low or by purchasing in time to prevent extreme declines in prices to farmers. No actual price figures are available, since estimates on what prices might have been had there

been no buying are uncertain at best, and since local buying programs affect farm prices in other localities in ways that cannot be measured accurately. A radio discussion presented May 26 on the Farm and Home Hour ("The Progress of Agricultural Adjustment") gives interesting background material on both marketing agreements and surplus removal.

10. What is meant by "balanced agriculture"?

The last page of "Achieving A Balanced Agriculture" gives a good, short definition of balanced agriculture as it relates to income and production. The first page and a half of "Agricultural Stability and Business Stability" describe balanced agriculture in its more complete sense.

11. Why does agriculture get out of balance?

The first half of "Achieving A Balanced Agriculture" called "The Why of Agricultural Adjustment" outlines why and how American agriculture got out of balance between the pre-war period and the crisis of 1932 and 1933.

12. What is the result of unbalanced agriculture?

Farm income figures tell most of the story of what happens to farmers when agriculture gets out of balance. National farm income figures for recent years were:

1929	\$10,479,000,000
1930	8,451,000,000
1931	5,899,000,000
1932	4,328,000,000
1933	5,117,000,000
1934	6,348,000,000
1935	7,090,000,000
1936	7,865,000,000 (estimate)

During those same years the relationship between the prices farmers received and the prices they paid also showed the effects of the lack of balance and the improvement which has followed. In the pre-war period (1909-1914), the prices farmers received were in good balance with the prices farmers paid. This balance is known as parity. The prices of agricultural products expressed as a percentage of parity, for each of the years, 1929 through 1936, is shown in the following table:

1929	95
1930	87
1931	70
1932	61
1933	64
1934	73
1935	86
1936	92

Pages 20 and 21 of "Achieving A Balanced Agriculture" show how the lack of balance had a serious effect on the farm debt situation. Other evidence of the effects of unbalanced agriculture upon both farmers and the general public are found throughout the same leaflet. The effects of unbalanced agriculture upon industry are discussed in the leaflet "Industry's Production Policies and the Farmer". A recent address by Secretary of Agriculture Henry A. Wallace, "Producer Goals and Consumer Goals" takes up the effects of balanced and unbalanced agriculture on consumers.

13. What are some of the methods employed to maintain balance by non-agricultural groups?

"Industry's Production Policies and the Farmer" tells how most industries curtail production and employment when demand slackens. "Administered Price and Market Price" gives further information on how industries maintain balance.

14. What are some proposals that have been made for keeping agriculture in better balance?

The AAA production adjustment programs, declared invalid by the Supreme Court early in 1936; the Triple-A agricultural Conservation Program and marketing programs which are now in effect; and proposals for an ever-normal granary and crop insurance, all aim primarily at a better balanced agriculture. The second section of "Achieving A Balanced Agriculture" describes how the adjustment programs worked. "Agricultural Conservation: A National Farm Policy" tells how the present AAA Conservation Program helps bring about better balance. This leaflet also gives brief mention to the ever-normal granary and crop insurance. A radio discussion "The Progress of Agricultural Adjustment" (Farm and Home Hour, May 26, 1937) takes up present AAA marketing programs and their relation to national farm policy. The March, 1937 issue of "The Agricultural Situation" has a definition of the ever-normal granary by Secretary Wallace (page 9).

15. What have other countries done toward national programs of soil conservation?

In spite of the extensive soil conservation programs now in operation in many foreign countries, no comprehensive article summing them all up seems to be available at present. The Soil Conservation Service, however, is making such a study, and already has collected a partial list of references. That list shows that important conservation programs are in effect in large areas of Africa, Asia, and Europe. In all of the cases cited, governments are taking an active part in conservation work. Sometimes the governments confine themselves to research and demonstration. In other instances, governments give actual aid to farmers who carry out conservation practices. Following are some brief summaries of the work being done in different parts of the world:

South Africa

Stock are excluded from critical areas by fencing and planting with spineless cactus and American agave along contour lines. Single rows are not usually sufficient.

A wind erosion control method on trial consists of constructing catch-trenches in which seeds of indigenous plants will easily germinate. Embankments are built across dongas and consist of stones, brushwood, wattle, rough masonry work and wire netting. These serve to catch the silt and in dongas thus filled mimosa bush soon establishes itself.

Special facilities are available to farmers under the official conservation plan....Section 17 of Act No. 29, 1933, provides for the control of soil erosion and the construction of small dams as a national concern.

An article written in 1930 says that substantial progress in combating soil erosion has been made in the past ten years. The foolhardiness of overstocking is generally recognized.

The Government has done much to foster desirable improvements in farming practice. Expenses incurred in stopping soil erosion is deducted in the assessment of income tax.

An advisory council was elected in November, 1929, to assist the Minister of Agriculture in controlling soil erosion. The Council met July 14, 1930, for the first time and advised that an officer be appointed to prosecute the instructions of the Council. It was also decided that in each Province an area in which soil erosion is severe should be selected; an officer from each of the Schools of Agriculture will organize farmers and others in such areas for the purpose of tackling the problem. These officers will work in cooperation with Divisional Councils, Municipalities, Farmers Associations, etc., and so a definite start will be made simultaneously in the four Provinces.

Ceylon

The Government, in considering the erosion problem in Ceylon, keeps in view the following four points:

1. The necessity of retaining forests on steep slopes.
2. The compulsory reforestation of eroded areas.
3. The control of rivers and streams.
4. Stipulations in leases of all lands given out for cultivation as to drainage and control of surface wash.

Great Britain

The following summary of conservation work throughout the whole Empire during the past 5 years was written in 1936:

Ceylon - efforts have been made to arouse interest in amount of soil lost since 1873. Determined effort to arouse public and "planting" interest begun in 1923.

In Java it is provided that "forest lands can only be opened in economic crops if adequate contour drains are established and terraces made before planting begins."

In Tanganyika experiments in terracing and anti-erosion methods have been started and contour planting is spreading where ridge cultivations have been started.

In Nyassaland various measures against soil erosion have been adopted in the cultivations on undulating lands, and for tobacco and cotton lands the establishment of Mangum terraces is becoming general where ploughing is practiced. This system is also commonly adopted in Southern Rhodesia.

In Basutoland, soil erosion is being combated by the creation of a number of large shallow reservoirs in which flood waters from the hillsides can be collected.

In the Union of South Africa anti-erosion work consists mainly of making dry stone walls and grass-covered banks along the contours.

Italy

A study of conservation and reforestation in Italy, written in 1934, describes terracing work and methods of stabilizing and restoring soils on steep slopes. For the past few years in Italy the National Forest Militia has been engaged in a vast work of soil control, reforestation and stream regulation, as an integral part of the National land plan of Bonifica Integrale. Within areas designated as conservancies the work of the Forest Militia is integrated with that of the other technical services--engineering, agriculture, sanitation, and the like--to the end that all essential steps are taken concurrently to develop the resources of the particular region. Coordination is the keystone of the Italian policy and no engineering works on lower river courses or agricultural developments on the plains are attempted without stabilization of the soils and regulation of the streams on the tributary mountain slopes.

Japan

From ancient time the Japanese nobles of ruling dynasties maintained an effective control of wooded lands in the mountains. In the past half century the modern Japanese Government has put into operation a directive policy in the treatment of soil, forest and water resources.

"Two principles guide in this work. They are, first, the establishment of a base level of erosion for the drainage channel... The second principle is the artificial revegetation of the eroding surfaces"--thus in Japan, "the works of erosion control have been chiefly those of repairing breaks on the mantle of vegetation which generally clothes the mountain slopes."

The importance of torrent regulation, or erosion control, is signified by its general enforcement over the entire Empire of Japan due to the enactment of the Forestry Law in 1897.

From the date 1683 A.D. reforestation was extensively applied and the mountains were maintained generally in a forest cover. Systematic works of torrent regulation were begun about 50 years ago.

Two examples are cited which have demonstrated to the Japanese the dangers of denuded slopes. Their "policy of erosion control is based

largely upon saving valuable food producing lands from destruction rather than upon profit from restored land."

Rhodesia

Rhodesian Agricultural Union Congress, in 1931, asked the Government to take all the steps possible to save the soil of the country. As a result two special councils, known as Soil Conservation Advisory Councils, were appointed in 1934 "to carry out propaganda work and investigations and to advise the Government on the best ways of preventing soil erosion."

16. How have tax policies affected farm real estate in recent years?

Pages 14 to 16 of "The Agricultural Situation" for March, 1937, supply an interesting short discussion of this problem.

